

ISSUE		FINDING	RECOMMENDATION	FY 2004-05	5 YEAR CUMULATIVE
Statewide Operations Chapter					
SO 01	Technology Alignment: Overhauling the Organization and Management of the State's Technology Programs	There is no coordination of the state's use of technology, resulting in functions that are poorly organized, duplicative and inefficient from a statewide perspective.	The Governor should establish a new Technology Division to serve the common technology needs of executive branch entities with accountability to customers for providing secure services that are responsive to client needs at a cost representing best value to the state and consistent with the strategic objectives of the state's information technology program as determined by the State Chief Information Officer, and appoint a State Chief Technology Officer with operational oversight responsibility for the new services organization.	\$0	\$119,520,000
SO 02	Technology Governance: Strategically Leveraging the Power of Technology to Transform State Government	The state lacks an effective process for strategically focusing technology investments on achieving overarching goals and objectives.	A permanent State Chief Information Officer should be appointed and state technology governance should be aligned to a new model. The state should establish a Project Management Office to support technology projects and develop a new approval/oversight process that ensures projects are implemented in phases, providing maximum collaboration with and input from state agencies.	\$18,750,000	\$168,750,000
SO 03	Creating the Organizational Capacity to Support the State's Information Technology Infrastructure and Emerging Services	The process for recruiting and testing technology candidates, advertising vacancies and conducting interviews of successful competitors within the State of California is a system that does not attract the best qualified individuals.	The state CIO should partner with the Department of Personnel Administration or its successor organization to draft a proposal to extend the broad-banding, position-based selection process used by the Legislative Counsel Bureau, for the recruitment, testing, and hiring of all information technology staff on a position-by-position basis.	CBE	CBE

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SO 04	Creating a Secure Information Technology Infrastructure	There is no coordinated statewide strategy for information security which can lead to problems with inappropriate access of information or disruption to service.	The state Information Security Office should establish a statewide information security council to define security standards and procedures for the state's technological systems.	CBE	CBE
SO 05	State Enterprise Architecture - A Roadmap for State Information Technology	The state does not have standards for purchasing computers and developing programs. Departments are independently implementing new technology. This approach to technology deployment creates higher costs in system integration, deployment, support and training.	Establish the position of a statewide Enterprise Architect under the state CIO. Industry standards will be promulgated for use in departments and agencies.	CBE	CBE
SO 06	Create a Code Library to Leverage State Intellectual Property Rights	Most state departments have not established a resource to reuse command codes for applications once written. This code is intellectual property of the state and should be protected through copyright and patent applications.	The Governor should direct the Department of General Services (DGS) or its successor agency to: establish a library of reusable code under the direction of a Code Librarian; create documentation standards and a database to store the developed code; and obtain copyright and patent protection on the code owned by the state to protect this valuable resource. The DGS should leverage the use of the Federal GSA library and offer code for reuse to other government agencies. Finally, the DGS should search for copyright and patent infringement and potential of later license agreements and sales of the assets in public markets and work closely with the Office of the Attorney General on copyright and patent infringement cases.	CBE	CBE

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SO 07	California Needs Uniform, Statewide Data Management Standards and Guidelines	California lacks coherent standards and guidelines for collecting, processing, storing and sharing data documents.	The Governor should work with the Legislature to amend Government Code Section 14740 to require all state departments and agencies to follow data management standards. The Department of General Services should develop statewide standards and guidelines for creating, managing, storing and archiving electronic documents and leverage the state's existing document management systems to the fullest extent possible.	CBE	CBE
SO 08	Redesign of the State Portal (My California)	The current state portal lacks full navigation capability. The portal should function as a "single window" to government, a secure gateway for the public to visit but it still falls short of its initial goals.	The state should phase in a redesign of the state portal.	CBE	CBE
SO 09	Information Technology Contracts Should Be Consolidated Wherever Possible	State agencies commonly work independently of one another to develop, execute and manage their information technology (IT) contracts. This leads to separate contracts with the same IT vendors for similar or identical services.	The Procurement Division of the Department of General Services should immediately identify information technology maintenance and support service providers who have multiple contracts with the state. It should then negotiate a single master services contract with each of the identified vendors.	\$1,093,000	\$9,841,000
SO 10	Explore Open Source Alternatives	California purchases millions of dollars of software. Open source software can be a more cost-effective alternative.	Departments should take an inventory of software purchases and software renewals in the Fiscal Year 2004-2005 and implement open source alternatives where feasible.	CBE	CBE
SO 11	Funding Strategies for State Portal	Funding cuts and implementation costs have stalled necessary improvements to the state portal.	The Governor should work with the Legislature to establish authority to allow advertising on the California state portal as a means of self-funding and to develop a framework for establishing appropriate advertising standards.	CBE	CBE

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SO 12	Consolidate Data Centers, Servers and Storage	The state operates multiple data centers and is unable to leverage infrastructure to achieve economies of scale.	The administrative functions of the data functions of the Stephen P. Teale and Health and Human Services (HHS) Agency data centers under the State Chief Information Officer. Both Teale and the HHS data center should establish a high-speed connection to facilitate resource sharing and operational recovery through mutual aid in the event of a catastrophic loss at either data center. Legislation should then be pursued to establish the consolidated California Data Center.	\$757,000	\$27,559,000
SO 13	Create a Statewide Radio Network Infrastructure	Existing independent telecommunication service programs and radio network systems are proprietary, inflexible and antiquated. Interoperable radio systems between state agencies are critical when responding to emergencies.	The Governor should work with the Legislature to consolidate and centralize all agencies and departments with public safety radio systems under the Department of General Services' Telecommunications Division. The state should initiate a software radio pilot project to develop interoperability solutions for emergency operations. Further, the state should develop and implement a single statewide network infrastructure to carry voice, data and video communication for public safety and state services.	CBE	CBE
SO 14	Develop a Statewide Network Infrastructure to Increase Capacity and Reduce Telecommunication Costs	The State of California should develop and implement a Wide Area Network (WAN) infrastructure based on cost effective optical technologies to be shared by state agencies for data transport. Such a network is necessary for consolidating information technology resources, meeting increased demand and reducing telecommunication costs to the state.	The State Chief Information Officer should lead the development of a Statewide Network Infrastructure based on optical fiber and DWDM. A Request for Proposal (RFP) should be initiated to acquire the specific optical wavelength services and collocation facilities to provide a State Network Access Point (SNAP) in each of the ten major LATAs in California.	\$1,037,000	\$26,330,000

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SO 15	Voice Over Internet Protocol Statewide Network Infrastructure	The state does not utilize new technologies such as voice over internet protocol (VOIP) that can provide significant cost savings.	Establish a VOIP structure on the state network and provide the capability to departments and agencies.	CBE	CBE
SO 16	Implement Internet Protocol Video Technology for Video Conferencing and Training	Internet protocol video technology can be used for providing standardized video conferencing, distance learning and employee training capabilities in a more accessible and affordable manner.	The state should implement internet protocol video conference capability. Such video technologies should then be deployed to broadcast instructor-guided courses from a centralized location and facilitate interactive classroom instruction to employees statewide.	CBE	CBE
SO 17	Wireless Metropolitan Area Networks Provide Improved Broadband Access	The state should implement Wireless Metropolitan Area Network technology to reduce telecommunication costs, and to provide wireless broadband speed communications to stationary and mobile computer users.	Plan for and deploy a pilot project to demonstrate Wi-Max technology (Wireless Metropolitan Area Network built upon 802.16 technology). The project should explore the feasibility of deploying WiMAX technology as a replacement for state-leased T1 lines and as an expansion to mobile computing, as well as improve/provision telecommunications capacity in remote office locations.	\$0	\$2,505,000
SO 18	Wireless Fidelity Networks	Wireless connections (WiFi) provide fast and easy connection to users anywhere within range of a base station. With WiFi, an entire office can be moved or new staff added without major costs.	The Department of General Services or its successor entity should plan for and deploy WiFi networks built upon IEEE 802.11 technology for new state offices and locations.	CBE	CBE

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SO 19	911 Emergency Call Center System Improvements	Emergency 911 answering centers are called Public Service Access Points (PSAPs) and they currently are not able to transfer data between different PSAPs due to a lack of standard information format and inadequate hardware.	Develop systems for the PSAPs based on the fiber optic network that is being developed state wide so that data can be transferred from one to the other and carry the entire data log of each call. New technologies should be considered to screen incoming 911 calls to filter non-emergency calls, and other processes should be reviewed to enhance the state's overall 911 call system including the ability to roll over excess calls from overloaded response centers.	CBE	CBE
SO 20	Wireless 311 Non-Emergency Call Centers	The California Highway Patrol answers most of the eight million calls to 911 made by wireless phones every year. During emergencies, it is unable to answer all the calls it receives.	The California Highway Patrol should establish two 311, non-emergency, wireless call centers to handle the calls that now clog the 911 emergency wireless call centers.	CBE	CBE
SO 21	California Should Develop a Statewide Integrated e-Payment Portal	Californians and countless in/out-of-state businesses are forced to transact payments for state products and services in a manual form, such as currency, check, money order, or traveler's check, because most state entities are not set up to accept electronic payments. This results in a delay of revenue to the state as well as unnecessary costs due to inefficiencies to both the person and the government.	The Governor should direct the state Chief Information Officer to establish a statewide strategic policy on electronic fee collection. State law should be amended to require departments to begin accepting credit card or EFT payments both online and in person no later than July 1, 2007. A statewide methodology should be developed to accommodate electronic payments for all state purchases from a single web-based portal.	CBE	CBE

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SO 22	DMV Drivers Teaching and Testing Improvement	More than half of the people who first take the written driving test administered by the California Department of Motor Vehicles fail. Retesting these people costs the state more than \$4 million annually and increases the number of people in lines at DMV's 168 field offices.	The Governor should direct the California Department of Motor Vehicles (DMV) to begin putting touch screen terminals in its field offices to administer the written driving test. These terminals can help applicants with reading comprehensive or language issues.	\$0	\$10,784,000
SO 23	Provide Electronic Law Libraries for Prisons to Save Money	The California Department of Corrections spends more than \$4 million every year to buy current law publications in order to provide court-mandated legal information services to inmates.	The Governor should direct the Youth and Adult Youth Agency to implement touch screen legal information resource kiosks at each state prison.	\$0	\$7,600,000
SO 24	Creating a California Enterprise Human Resources Solution	California State government lacks a statewide solution for managing its human resources assets.	State agencies should freeze development, enhancements or modifications of existing human resources software applications pending the implementation of the State Controller's Office "21st Century Project".	CBE	CBE
SO 25	Develop a Statewide Centralized Financial System	California lacks a statewide, centralized financial system, leaving it unable to effectively manage its budgets and related programs.	The Governor should direct the state CIO to assemble a task force to develop a vision and direction for a California enterprise financial system which supports the statewide business strategic plan and which follows Generally Accepted Accounting Principles (GAAP). The state CIO should identify all development projects enhancing or expanding the many computer applications used by agencies, with the intent that those applications be frozen pending such new plan.	CBE	CBE
SO 26	Implement a Statewide, Automated Asset Management Tool	There is currently no statewide asset management application to track and manage state assets.	The Governor should direct the DGS' Technology Division to acquire an information-based asset management system that can be used statewide.	(\$10,000,000)	\$26,000,000

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SO 27	California Should Create a Statewide Solution to Manage State Employee's Workers Compensation Claims	Most departments continue to use isolated, department-specific databases and manual processes to track and manage workers compensation cases.	The Governor should direct the Department of Personnel Administration or its successor to immediately begin developing the requirements for a statewide workers' compensation case management tool.	(\$5,000,000)	\$10,900,000
SO 28	Develop a California Enterprise Application to Manage its Statewide Training and Examination Requirement	California lacks a statewide vision and clear priorities for staff development, training and examination of its employees.	The state CIO should develop a long range strategic plan for the development of an Enterprise Training and Examination Application. The Department of Finance or its successor agency should immediately issue a Budget Letter directing state agencies and institutions of higher education to aggressively compete for any relevant federal grants to help fund information infrastructure initiatives.	CBE	CBE
SO 29	Consolidation of California State Government E-Mail Services Will Make Them More Robust and Could Save the State Millions of Dollars	E-mail systems for California's state government are fragmented and costly.	The Governor should direct all state departments to immediately begin migrating their e-mail services into the existing Department of Health and Human Services Data Center. The Data Center should consolidate excess hardware and infrastructure, where possible, to support all state e-mail accounts.	CBE	CBE
SO 30	Create a Statewide Enterprise Technology Help Desk	California government lacks a statewide IT help desk to better serve state employees with their IT-related problems.	The Governor should direct the state CIO to consolidate all Tier 1 IT help desk functions from individual departments into a statewide help desk.	CBE	CBE
SO 31	The Virtual Desktop - A Computer Support Model that Saves Money	Most state agencies and departments have adopted their own standard suite of software. This practice is becoming increasingly expensive.	The Governor should direct the Stephen P. Teale Data Center to develop and implement a new offering for virtual desktop technology to deploy to all state agencies and departments as a managed service on a subscription basis.	CBE	CBE

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SO 32	Use Digital Photo Technology to Reduce Costs	California agencies and departments often use film photography instead of digital photography. This is an expensive practice and limits the versatility of images used for state purposes.	State agencies should use digital photo technology whenever possible. The California Department of Corrections should install digital photo technology that meets the standards of the National Institute of Standards and Technology for compatibility with the Live Scan system at all 32 of its prisons. The Department of Corrections' Institutions Divisions should ensure that the department's digital photo technology is standardized department-wide and that holographic capabilities are incorporated in the digital photo systems for enhanced security and identification.	\$1,130,000	\$6,930,000
SO 33	Transform the State's Strategic Planning Process and Implement a Performance-Based Management System	California's current strategic planning process is not linked to performance measurement, budget development or performance reviews, therefore it does not provide the state's decision-makers with information necessary to evaluate individual programs and ensure that taxpayer dollars are not wasted.	The Governor should issue an Executive Order directing all state agencies to implement performance-based management systems which include linked strategic planning, annual action planning, and performance reporting.	CBE	CBE
SO 34	Create a Section in the Governor's Office Charged with Implementing a Performance-based Management System	Experts recognize that a strong, effective, visible and committed leadership from the top is critical whenever an organization attempts to change.	Establish a function in the Governor's office to develop a plan to implement performance-based management in California government.	CBE	CBE

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SO 35	Devise Useful Performance Measures to Improve State Government	How an organization targets desired results, measures what it does, and assesses its own performance is critical to the successful implementation of a strategic planning process and performance-based management.	The Department of Finance or its successor should devise and distribute guidelines and recommended procedures to state agencies and departments on how to develop and use viable performance measures.	CBE	CBE
SO 36	Implement a Budget Development Process That Links Statewide Goals, Program Performance and Funding Decisions	California is paying for state programs that have outlived their purpose and are ineffective. Departments continue to operate these programs without review or evaluation.	The Governor should issue an Executive Order directing all state agencies to ensure that all of their funding requests will conform to and support the statewide vision and goals as prepared by the Governor's office. Instructions to devise strategies and spending plans to meet those goals should be assigned and posted on an Internet Web site. Departments should identify core programs and develop action plans which can be included in the budget bill.	CBE	CBE
SO 37	Implement a Long-Range Financial Planning Process	The Governor and the Legislature have no way to determine the long-term fiscal impact of their decisions.	The Governor should issue an Executive Order instructing the Department of Finance or its successor to prepare a long-range financial plan for the state of California.	CBE	CBE
SO 38	Improve Financial Management Systems	California does not have adequate financial management systems in place to provide the state's decision-makers the information necessary to obtain cost information which could help assess program results on a timely and regular basis.	The Governor should instruct the Department of Finance or its successor to develop a financial management system capable of supporting a performance-based management system and should propose California invest in a modern financial information system to be implemented statewide. A financial advisory committee should also be established.	CBE	CBE

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SO 39	Improve State Business Processes Through Incentives	California currently suffers from a severe budget imbalance which has placed fiscal pressure on all state agencies, requiring them to look for ways to reduce costs without impacting the services they provide.	The Governor should direct state agencies to implement internal business process review to ensure agency processes and customer service are under ongoing scrutiny. The Governor should direct the Department of Finance to create a 21st Century Innovation Fund to capture savings obtained from these reviews and use those savings to support implementation of process improvement projects and create incentives to encourage identification of cost-savings and productivity improvements.	CBE	CBE
SO 40	Biennial Budgeting Should Be Adopted	California's annual budgets create great pressures on all budget staff and policy-makers as three budgets must be managed at one time which does not allow state officials the essential time to review and evaluate state program performance.	The Governor should propose an amendment to Article 4, Section 12 of the California Constitution to change the annual budget requirement to a biennial budget.	CBE	CBE
SO 41	Consolidate California's Dual Personnel Management System	The state's dual personnel management system (State Personnel Board and the Department of Personnel Administration) has caused confusion about the two entities' roles, and delays in services to client state departments.	The two departments should be consolidated into one entity that is responsible for the state's personnel management system.	\$650,000	\$5,850,000

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SO 42	The Leadership Challenge	In the next three to five years, California will withstand the largest wave of retirements in the history of its public service.	The Governor should establish a taskforce to develop a strategic plan to implement a permanent, ongoing education system for all state workers. State agencies should establish a mentoring program to groom potential managers and executives within their organization. The state should fully support recruiting operations to bring top-quality college graduates into the state's public service.	CBE	CBE
SO 43	Creating a Work Force Plan for California State Employees	California is about to experience a large wave of retiring state employees. The state should use this as a catalyst for work force planning, and for developing a more efficient work force through improved technology, budgeting, and management.	Each state agency should develop a strategic plan and performance measures that ensure business operations meet customer needs. Agencies should develop comprehensive work force plans that align their work force with their strategic business plans by identifying the work functions and skills required to meet internal and external customer needs, identifying and prioritizing gaps between present and future skill levels, and by developing and implementing human resources solutions that meet short and long-term business goals.	\$239,423,000	\$3,292,896,000
SO 44	Improve the Quality and Productivity of the State Workforce by Establishing a Statewide Recruitment Program	California does not have a centrally lead and coordinated recruitment program. Strategic initiatives have not been formulated to systematically identify and attract good workers to fill the myriad of state jobs.	Establish a centralized recruitment program including a staffed employment center and a comprehensive employment Internet portal. Staff of this program will: provide leadership and coordinate departmental recruitment efforts, develop college recruitment initiatives. Forecast future employee and skills requirements as part of a biennial workforce analysis, and develop metrics to measure the effectiveness of recruitment initiatives.	(\$910,000)	(\$8,190,000)

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ISSUE		FINDING	RECOMMENDATION	FY 2004-05	5 YEAR CUMULATIVE
SO 45	Hire the best of the best	The state is hampered by arcane rules and uses poor methods of hiring personnel that often prohibit hiring the best available talent.	The state should implement a number of changes in its personnel system to hire and retain the "best and the brightest." It should: retain the merit principle, but simplify the laws and rules; eliminate non-merit points; eliminate the need for Office of Administrative Law review of internal personnel management rules and guidance; mandate the completion of probationary periods for all new hires and promotions; allow candidates who are not state employees to participate in more state examinations; retain decentralized department specific examinations but centralize all service-wide examinations; increase the number of internet-based and computer assisted examinations and formulate plans to replace the mainframe test management system; and provide more guidance and training to departmental staff and staff a post audit program that reevaluates delegation on a three year cycle.	(\$3,331,000)	(\$11,975,000)
SO 46	Create an Effective Management Structure	The state does not have a process that ensures that the most qualified individuals are appointed to management and leadership positions.	Existing law should be amended to allow individuals outside state civil service to compete in examinations for Career Executive Assignments (CEA). In addition, the CEA classification should be expanded to include a classification of Senior Executive Service class and review which managerial positions are appropriate for conversion to this class.	CBE	CBE

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SO 47	Consolidate and Update State Civil Service Classifications	The state has too many civil service classifications. In fact, there are 1,062 classes that currently exist that do not have incumbents. These classifications are often out of date and/or are not descriptive of the actual work being performed. This classification structures are in contrast to the national governmental trend towards "broad band" classes.	Consolidation proposals previously developed should be updated and implemented. Consolidation studies should be conducted for legal, business services, clerical and investigator classes. These groups were previously identified for consolidation. Broad banding for classification and pay, like the federal model, should be implemented. Classes with no incumbents and which have not been used in the previous two years should be abolished.	CBE	CBE
SO 48	Develop an Official Policy for Setting Employee Compensation	There is no official compensation policy, compensation is not tied to actual employee performance and no compensation survey is being conducted.	Purchase a compensation survey and develop a compensation policy to guide labor negotiations.	CBE	CBE
SO 49	Merit Salary Adjustments Have Become an Automatic Entitlement	Merit Salary Adjustments are automatic entitlements that do not encourage performance.	Create performance incentives for managers and supervisors and a graduated MSA system for rank-and-file.	\$1,500,000	\$41,500,000

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SO 50	Controlling Retirement Incentive Costs	California has several retirement incentives available to its work force; however, the cost effectiveness of these programs must be re-examined within the context of an aging workforce.	The Governor should announce that there will be no "golden handshake". The Administration can encourage employees to retire without offering retirement incentives. Classes with no incumbents and which have not been used in the previous two years should be abolished. The Administration should continue to offer the "airtime" program. This allows employees to take charge of their own retirement strategies and further, allows them to retire at an earlier age. Legislation should be pursued for retirement bonuses. In addition, the Governor should: direct the Department of Personnel Administration to seek legislation regarding retirement bonuses; CalPers should develop flexible retirement plans; and the DGS should competitively bid for flexible retirement plans.	CBE	CBE
SO 51	Controlling Enhanced Retirement Costs	Retirement incentives can create salary savings by encouraging retirements, however, these incentives may cost the state more money by paying retirement incentives to employees who had already planned to retire. The number of enhanced retirement designations is growing and many new classifications do not meet established safety status criteria.	The purpose and applicability of safety designations needs to be reviewed to ensure that safety status criteria are well defined and applied consistently so that the state does not accrue unnecessary costs.	CBE	CBE

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SO 52	No Motivation, No Results: Creating a Performance Culture in the California Civil Service	A performance culture does not uniformly exist in the California civil service.	The state should: develop performance standards; align employee performance expectations with agency missions; make managers accountable for staff performance; create data bases to collect performance information; develop training programs on performance management; and develop management reward systems.	CBE	CBE
SO 53	The Learning Imperative	Training for state employees is given a low priority and training resources are scattered among several agencies. The state does also not leverage its own higher education institutions to benefit from their knowledge of training for career development.	The Department of Personnel Administration should develop a statewide training policy and a statewide Internet-based portal for training and career development, as well as a consolidated automated training registration system. The State Training Center, State Personnel Board and Health and Human Services Data Center training administration costs should be allocated on a pro rata basis to all user state agencies. Finally, DPA should work more effectively with higher-education institutions to develop learning strategies and programs for state employees.	(\$800,000)	(\$528,000)
SO 54	Create a Fair and Efficient Employee Discipline System	The state does not have an effective system for quickly resolving employee performance issues.	The Department of Personnel Administration should work with the labor unions to implement as an alternative dispute resolution methodology a statewide process of performance management similar to Georgia's "discipline without punishment".	CBE	CBE

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SO 55	Improve Employee Suggestion Program	The State of California's Employee Suggestion Program does not provide adequate incentives to encourage employees to develop and submit suggestions for reducing government spending and/or improving services.	The Governor should direct the Department of Personnel Administration to, among other things: seek legislation to eliminate the Merit Award Board's oversight of the Employee Suggestion Program; delegate approval for employee suggestions to departments, increase the amount of an award approved by departments from \$5,000 to \$50,000; eliminate the necessity for a concurrent resolution from the Legislature to approve monetary awards exceeding \$5,000; and develop an on-line employee suggestion system.	\$1,707,000	\$15,365,000
SO 56	Splintered System of Reviewing Discrimination Complaints Creates Duplication of Work	There are at least four state entities with which complaints of employment discrimination can be filed. This results in overlapping state functions, increased costs and inconsistent decisions among entities.	Claims of employment discrimination against a state entity should be accepted only if the individual has not filed a claim with another state agency. Allegations of discrimination or denial of reasonable accommodation should not be subject to the grievance and arbitration procedures. All state agencies should track state costs associated with the investigation and litigation of discrimination cases. Policy and procedures should be implemented to ensure resolution of conflict, resulting from allegations of discrimination, at its earliest occurrence using informal methods such as mediation.	CBE	CBE
SO 57	Streamline the Layoff Process	The state layoff process is cumbersome to implement and net savings resulting from layoffs are difficult to achieve. The process should be streamlined to increase savings to the state and to improve efficiency and work force quality.	Employee history should be stored in a database that could be used for calculation of multiple layoff scenarios. Departments should be given a dollar target of savings to achieve rather than a headcount number. Merit should be included in the calculation of seniority.	CBE	CBE

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SO 58	Repeal the Six Month Rule for Vacant Position Abolishment	State positions vacant for six months must be eliminated on the premise that these positions are no longer needed. As a result, many departments perform personnel transactions that circumvent the requirement to eliminate the unfilled positions.	Government Code Section 12439 should be repealed. Vacancy elimination should be controlled through policy issued by the newly created Office of Management and Budget.	CBE	CBE
SO 59	Require Employees to Meet Minimum Qualifications Prior to Appointment	State law and regulation allow state employees who meet certain requirements to be appointed to classifications for which they have not been tested and may not meet minimum qualifications.	The Governor should work with the Legislature to restrict appointments in the civil service unless individuals meet the minimum qualifications of the class.	CBE	CBE
SO 60	The State Must Create a New Procurement Organizational Structure to Maximize Efficiency and Minimize Costs	The State of California is not organized to buy goods and services in the most cost-effective way to meet its needs	Procurement authority should be vested at the state agency level; create a progressive procurement organization; and validate procurement activities with regular audits	\$0	\$47,641,000
SO 61	The State Needs to Professionalize its State Procurement Workforce to Maximize the Benefits of a Modernized Procurement System	Generally, the skills associated with California's procurement workforce are inadequate to meet the needs of a modernized procurement system.	Create new civil service classifications and develop and implement new training and skills development curricula.	(\$50,000)	(\$8,378,000)

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SO 62	Eliminate a Major Source of Conflict Between the Central Procurement Agency and Its Agency Clients by Revising the Funding Mechanism for the Central Agency	The existing procurement fee funding model (a per transaction-based model) has created conflict between state departments and DGS. The activities of the proposed organization, a model of knowledge-based, strategically-focused central procurement would not be compatible with a fee-based funding model.	Shift from the existing transaction-based "fee" model to a cost allocation model that will equitably recover costs from all state agencies (i.e., a pro-rata model).	CBE	CBE
SO 63	Consolidate and Simplify Procurement Statutes and Policies	Procurement laws and policies are fragmented, incomplete in many areas, and overly complex in others. This structure is ineffective, expensive and discourages firms from doing business with the state.	Reorganize, simplify and streamline state procurement and contracting statutes into a single understandable uniform Act. Establish a governance structure, including a senior level advisory committee, to manage, maintain and update statewide procurement policies.	CBE	CBE
SO 64	Streamline and Reform the Vendor Protest Process Used in the Procurement of Goods and Services	The state's procurement process system for purchasing goods and services provides for a protest process that is complex, protracted, and not responsive to the interests of the state or the vendors who offer to supply the goods and services.	Governor should proposed amendments to reform procurement process by eliminating the three separate protest processes created by Sections 10306.10345, and 12102(h) and 12126-12130. governor should propose legislation that provide authority for informal protest process that shall be decided within 10 days of the filing of a protest.	\$0	\$18,000,000
SO 65	Remove Bidding Preferences from State Contracting Programs	The TACPA, LAMBRA, EZA, and STAR economic and recycle incentive programs are greatly under-utilized by businesses, but continue to create administrative costs to the state.	Repeal the statutes governing the programs thereby eliminating the preferences from bid solicitations.	\$7,598,000	\$68,382,000

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SO 66	Eliminate Duplicative Reports	California requires duplicative, costly reports to the Legislature on state contracts and business ownership.	Require the Department of General Services to submit statewide reports for Consulting Services, Disabled Veteran Business Enterprise contracting activity, and the Ethnicity, Race and Gender and the Minority, Women and Disabled Veteran Business Ownership reports to the Legislature.	\$0	\$3,956,000
SO 67	Procurement of Prison Industries Authority Products	the Penal Code's mandatory requirement that state agencies must purchase Prison Industry products and services unnecessarily increases the state's expenditures.	Amend Penal Code Section 2807 by providing that state agencies can purchase from commercial suppliers of goods and services if the value and price are superior to the goods offered by prison industries.	\$0	\$32,000,000
SO 68	Establish Small Business and Disabled Veteran Business Enterprise Set-Asides	The establishment of mandatory set-asides will greatly improve the contracting opportunities for state certified small businesses and disabled veteran business enterprises, and help the state meet its participation goals.	Amend legislation to include the acquisition of all goods, services, information technology, and construction up to \$100,000 and establish set-asides. Amend Public Contract Code to remove the good faith effort. Amend Government Code to repeal the five percent small business bidding preference.	\$0	\$20,000,000
SO 69	Create Efficiencies and Cost Savings by Establishing a Central Supplier-Based Management System	The state does not have a central supplier registration system.	Procure and use a central vendor registration system for all state departments. The system should preferably be part of an overall electronic-procurement system.	CBE	CBE

CBE = Cannot Be Estimated

ISSUE		FINDING	RECOMMENDATION	FY 2004-05	5 YEAR CUMULATIVE
SO 70	Taking Steps to Contain State Drug Costs	Costs of pharmaceuticals (drugs) have been rapidly escalating over the past few years. The state's current practice of procuring drugs is not coordinated in a unified fashion (i.e., decentralized among a number of state departments), thereby limiting the state to take full advantage of its large purchasing power. The state is also not taking advantage of favorable federal pricing.	The Department of General Services, or its successor entity, should contract with a Pharmacy Benefit Manager to administer the state's drug purchasing program. In addition, the Health and Human Services and the Youth and Adult Correctional Agencies, or their successor entities, and CalPERS and CalSTRS should take the necessary steps to obtain federal 340B pricing for its health care programs and/or benefits.	\$0	\$78,500,000
SO 71	Increase the Use of Performance-Based Contracting	Typical procurement documents are now prescriptive in nature, specifying how the contractor should perform the work. When the state issues a prescriptive procurement, the contractor is unable to find better, more cost-effective ways of doing business, such as performance-based contracting.	The Department of General Services, or its successor entity, should promote the use of performance-based contracting where applicable.	\$33,440,000	\$969,760,000
SO 72	California Can Save Millions of Dollars by Implementing More Strategic Sourcing Procurement Strategies	Strategic sourcing is an effective procurement strategy the state should employ to better leverage its massive spending power and reduce costs.	The state needs to develop strategic sourcing opportunities throughout.	\$96,064,000	\$854,970,000

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ISSUE		FINDING	RECOMMENDATION	FY 2004-05	5 YEAR CUMULATIVE
SO 73	Create a Statewide Contract Management Policy	If contract management/administration procedures been in place and diligently practiced at the time of contract issuance, many of the problems would not have occurred. The state would have been in a proactive mode rather than reactive mode—perhaps saving millions of dollars	The Department of General Services or its successor entity should institute contract management policy and develop common guidelines and training curriculum that all state-employed contract managers must follow.	CBE	CBE
SO 74	Alternative Service Delivery Techniques and Competition in the State's Procurement of Goods and Services	California needs to reconsider its broad statutory monopoly for delivery of government services. Alternative service delivery techniques can be a powerful tool for improving quality and saving money when properly used.	California needs to institute competition in the delivery of government services and develop a team of "Competition Corps" within the Department of General Services or its successor entity to implement and oversee competition goals and efforts of agreed upon alternative service delivery projects.	CBE	CBE
SO 75	California Can Save Millions of Dollars by Modernizing its Procurement System	California must modernize and reform its purchasing system.	Develop and implement e-procurement solution a statewide basis.	\$0	\$47,000,000

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ISSUE		FINDING	RECOMMENDATION	FY 2004-05	5 YEAR CUMULATIVE
SO 76	State Needs to Reduce Late Payment Penalties, Increase Early Payment Discounts	The invoice payment process needs to be improved to reduce late payment penalties to vendors, achieve greater early payment discounts from vendors, and enhance the overall business climate.	The annual report of late payment penalties should be provided to the Legislature. The State Administrative Manual Internal Control guidelines should be expanded to include an audit review of all state agencies who do not report their late payment penalties by the required due date. State agencies should provide a corrective action plan to change their payment process. All state agencies should participate in the CAL-Card Program, mandating its use for purchases up to \$5,000 and suggesting an increase in use for purchases in excess of \$5,000 and to pay the CAL-Card invoice within three days to capture the maximum rebate allowing for post audit if necessary.	\$0	\$25,800,000
SO 77	Using the Reverse Auction Procurement Method to Save Millions	The state will save money when vendors compete against themselves to provide goods or services.	The state must select a vendor to implement the reverse auction process and train state procurement staff to conduct reverse auction.	\$34,200,000	\$285,000,000
SO 78	California Can Save Millions by Utilizing the General Services Administration's Advantage Program to Purchase Goods and Services	The GSA program are available to state departments and are not being used.	Direct the State and Consumer Services Agency to work on a strategy that would allow state departments to purchase goods and services through the GSA Advantage program.	\$23,500,000	\$211,500,000
SO 79	Make Use of All Purchasing Methods Available to Ensure Lowest Costs	California state government does not take advantage of all leveraged purchasing options available. This could lead to higher prices paid by the state for goods and services.	The state should immediately begin participating in the U.S. Communities Government Purchasing Alliance.	CBE	CBE

CBE = Cannot Be Estimated



ISSUE		FINDING	RECOMMENDATION	FY 2004-05	5 YEAR CUMULATIVE
SO 80	Using Innovative Techniques to Enhance Sale of State Surplus Property	The state sells thousands of surplus property items annually, some at live auctions, a few on the internet. The various state agencies are not leveraging available technologies or partnering with private sector entities well-versed in property sales to maximize this revenue source.	The Department of General Services or its successor should establish an online surplus property program. It should also evaluate whether a public/private partnership to facilitate enhanced revenues is appropriate.	CBE	CBE
Total				\$1,041,128,000	\$31,606,080,000

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